

Message Text

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PAGE 01 STATE 247089

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FM SECSTATE WASHDC

TO AMEMBASSY HELSINKI

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E.O. 11652: N/A

TAGS:

SUBJECT: IMF TRADE DECLARATION

REF: A: STATE 229673

B: HELSINKI 2171

1. WE BELIEVE FINNISH ATTITUDE ON IMF TRADE DECLARATION

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PAGE 02 STATE 247089

REFLECTS A SERIOUS UNDERESTIMATE OF THE DANGERS OF USING
TRADE MEASURES AS AN "OPTION" IN REDRESSING OIL-RELATED
BALANCE OF PAYMENTS DIFFICULTIES, WITHOUT SUBJECTING USE OF

SUCH OPTION TO INTERNATIONALLY COOPERATIVE CONSULTATION PROVISIONS AS UNDER TRADDECLARATION. THE MORE COUNTRIES THAT MAINTAIN THIS OPTION THE GREATER WILL BE THE RISKS THAT A COUNTRY WILL SUCCUMB TO THE PRESSURES TO IMPOSE RESTRICTONS, AND THAT THE SITUATION WILL DEGENERATE

INTO A SELF-DEFEATING AND DAMAGING COMPETITIVE ROUND. IN THE CURRENT SITUATION -- WHERE THE OIL IMPORTING COUNTRIES AS A GROUP CANNOT QUICKLY OFFSET A LARGE PART OF HIGHER OIL COSTS THROUGH EXPORTS TO OPEC, AND WITH SLOWER GROWTH IN THE WORLD ECONOMY -- BEGGAR THY NEIGHBOR POLICIES IN ONE INDUSTRIAL COUNTRY, NO MATTER HOW SMALL, COULD CREATE PRESSURES FOR SIMILAR ACTIONS BY OTHERS. IN THE END ALL WOULD LOSE, ESPECIALLY THOSE SMALL INDUSTRIAL COUNTRIES WHICH ARE SO DEPENDENT ON OPEN WORLD MARKETS. OTHER SUCH

COUNTRIES, INCLUDING DENMARK AND NORWAY, HAVE RECOGNIZED THESE DANGERS AND SUBSCRIBED TO THE DECLARATION AS A MEANS OF RESISTING THESE PROTECTIONIST AND SELF-DEFEATING PRESSURES.

2. ALL IMF MEMBERS, INCLUDING FINLAND, ARE ELIGIBLE FOR DRAWING FROM THE IMF OIL FACILITY AND APPLICATIONS FOR DRAWINGS ARE CONSIDERED ON THEIR MERITS. THE PROVISIONS OF THE OIL FACILITY STATE, HOWEVER, THAT A LOAN RECIPIENT MUST AGREE THAT "IT WILL REFRAIN (I) FROM IMPOSING NEW, AND FROM INTENSIFYING EXISTING, RESTRICTIONS ON CURRENT INTERNATIONAL PAYMENTS INCONSISTENTLY WITH ITS OBLIGATIONS UNDER THE FUND'S ARTICLES OF AGREEMENT AND (II) FROM IMPOSING NEW, OR INTENSIFYING EXISTING, RESTRICTIONS ON CURRENT INTERNATIONAL TRANSACTIONS WITHOUT PRIOR CONSULTATION WITH THE FUND." IF FINLAND WERE TO SEEK ACCESS TO OIL FACILITY, IT WOULD HAVE TO AGREE TO THESE PROVISIONS. MAW

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